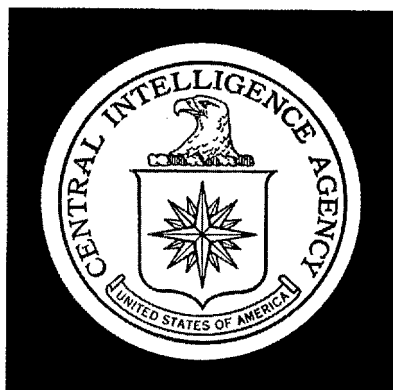


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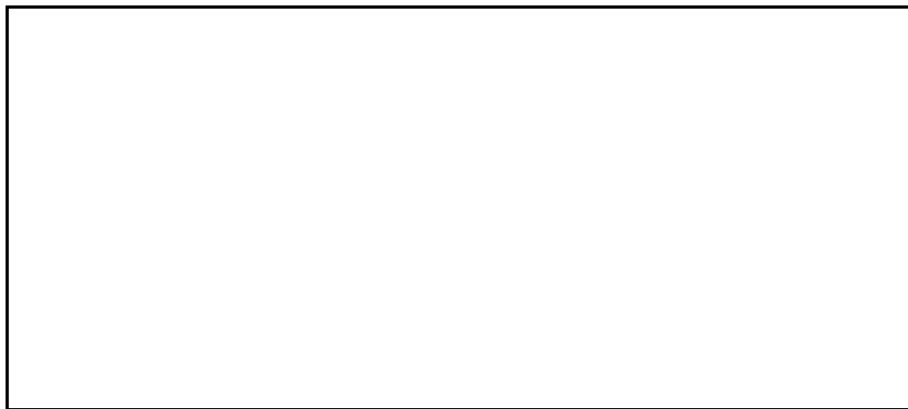
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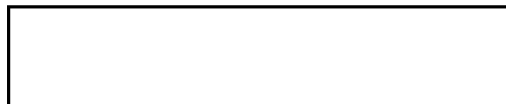
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Indonesia: Suharto making progress in political and economic reform. (Page 6)



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Indonesia: The Suharto regime continues to give priority attention to its economic program, while domestic political reform maintains its slow-paced advance.

[redacted]
economic policy during the coming year will remain concentrated on stabilization and rehabilitation. Primary emphasis will be on reducing inflation. In view of the progress thus far, modest development programs will be started in transportation and communication, agriculture and mining, and the textile industry.

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Indonesia still needs foreign economic assistance.

[redacted]

On the political front, the abolition of the Defense Ministry post in the cabinet presidium may foreshadow the dissolution of the presidium itself. This supracabinet, an innovation of the Sukarno era, is widely regarded among new-order elements as unconstitutional. Its demise would constitute another move in Suharto's prescribed return to a "rule of law." Under a defense reorganization, the president is now restricted to policy rather than operational control over the military establishment. The change presumably is another step toward forestalling a return to one-man rule.

The new order is having trouble developing suitable political vehicles. The regime persists in its effort to encourage and, when necessary, coerce the National Party, one of the nation's two large parties, to purge itself of leftist elements. The other large party, the traditionalist Moslem Nahdatul Ulama, shows no sign of abandoning its opportunistic policies. A new Moslem party, approved by Suharto in July, has yet to emerge.

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In view of the slow progress in remaking Indonesia's partisan politics, the regime appears relatively unperturbed at the prospect of an election postponement. Although elections are still slated to be held by mid-1968, parliament has been unable to agree on an election law, and a delay of a year or more is now assured. [REDACTED]

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